

Message Text

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PAGE 01 JAKART 12466 200733Z

44

ACTION EA-14

INFO OCT-01 EUR-25 IO-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 EB-11 COME-00 INT-08 SCEM-02

SCI-06 OMB-01 TRSE-00 DRC-01 NEA-10 /189 W

----- 034418

R 200405Z OCT 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9246

INFO AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY MANILA

AMCONSUL MEDAN

US MISSION OECD PARIS 732

AMEMBASSY RANGOON

AMEMBASSY SINGAPORE

AMCONSUL SURABAYA

AMEMBASSY TOKYO

AMEMBASSY VIENNA

US MISSION USUN NY 660

UNCLAS JAKARTA 12466

E.O. 11652: N/U

TAGS: ENRG, ID

SUBJ: PETROLEUM: INDONESIA'S PETROLEUM POLICY

REF: JAKARTA A-121 (NOTAL)

SUMMARY:

IN SPEECH TO AMERICAN MEN'S ASSOCIATION (AMA) OCTOBER 18,
GENERAL IBNU SUTOWO SAID IT WAS GOI POLICY TO MAXIMIZE
PRODUCTION OF ENERGY RESOURCES, TO USE ENERGY RESOURCES
TO ACCELERATE ECONOMIC DEVELOPMENT AND TO ENCOURAGE
UNCLASSIFIED

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PAGE 02 JAKART 12466 200733Z

COOPERATION AMONG COUNTRIES. AFTER OUTLINING PERTAMINA'S

FUNCTIONS, IBNU OUTLINED ROLE OF FOREIGN CONTRACTORS AND PERTAMINA PROGRAMS TO IMPROVE MANAGEMENT AND ORGANIZATION. THROUGHOUT SPEECH HE STRESSED IMPORTANCE OF "THE DEVELOPMENT CHALLENGE" AND UPGRADING OF INDONESIANS WHO ARE INDONESIA'S "MOST IMPORTANT NATIONAL RESOURCE." END SUMMARY.

1. ON OCTOBER 18 GENERAL IBNU SUTOWO SPOKE FROM PREPARED SPEECH ON "OIL, POLITICS AND DEVELOPMENT" TO ABOUT ONE HUNDRED FORTY MEMBERS AT LUNCHEON MEETING OF AMA (SPEECH TO BE SENT BY AIRGRAM). AFTER NOTING INDONESIA'S LONG RUN GOAL OF ECONOMIC AND POLITICAL INDEPENDENCE, IBNU SAID IT IS GOI POLICY TO MAXIMIZE PRODUCTION, USE RESOURCES TO ACCELERATE DEVELOPMENT AND TO ENCOURAGE COOPERATION AMONG NATIONS. IBNU DESCRIBED PERTAMINA'S PRINCIPAL FUNCTIONS--PRODUCTION, DISTRIBUTION AND RESPONSIBILITY TO CONTRIBUTE TO DEVELOPMENT--AND ACCOMPLISHMENTS SINCE PERTAMINA FORMED IN 1957 CITING IMPORTANT ROLE PLAYED BY "PRODUCTION-SHARING PARTNERS."

2. IBNU, SPEAKING TO FOREIGN OIL CONTRACTORS, URGED THEM TO CONTINUE SEARCH FOR OIL, EXPAND PRODUCTION, TRAIN INDONESIANS, DEVELOP AND UTILIZE LOCAL SUPPLY SOURCES, IMPROVE SAFETY AND POLLUTION CONTROL, AND BE "GOOD NEIGHBORS" IN COMMUNITIES WHERE THEY OPERATE.

3. TOUCHING ON POLITICS, IBNU SAID, "POLITICALLY, MY GOVERNMENT AND PERTAMINA HAVE UNDERTAKEN TO PROMOTE A MORE COOPERATIVE RELATIONSHIP BETWEEN OURSELVES AND DEVELOPED COUNTRIES AND TAKEN INITIATIVE TO PROMOTE COOPERATION WITH OTHER DEVELOPING COUNTRIES, IN PARTICULAR, WITH ASEAN COUNTRIES AND BURMA." HE NOTED EXCHANGE OF VIEWS WITH MALAYSIA, BURMA, PHILIPPINES AND RECENT AGREEMENT SIGNED WITH SINGAPORE PETROLEUM COMPANY.

4. IBNU LINKED HIS COMMENTS ON PERTAMINA PROGRAMS TO PRESIDENT SUHARTO'S JATIBARANG SPEECH (REFAIR) REFERRING TO NEED TO IMPROVE OPERATIONS AND MANAGEMENT, AND TO REDUCE COSTS. IBNU SAID PERTAMINA: A) HAD INTENSIFIED UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JAKARTA 12466 200733Z

EXPLORATION AND PRODUCTION ACTIVITIES; B) WAS WORKING WITH GOI AGENCIES TO DEVELOP NATIONAL ENERGY POLICY; C) WAS ATTEMPTING TO REDUCE COSTS; D) HAD ENGAGED INTERNATIONAL FIRM TO IMPROVE ACCOUNTING PROCEDURES AND REPORTS; E) WAS EXPLORING WAYS TO BETTER STRUCTURE LONG TERM DEBT PROFILE; F) WAS INTRODUCING WIDESPREAD USE OF COMPUTERS; AND, G) IS INVESTING HEAVILY IN STAFF AND MANAGEMENT TRAINING PROGRAMS.

5. COMMENT. IBNU'S SPEECH, WHICH EMPHASIZED COOPERATION, MAKES CLEAR THAT IT IS GOI/PERTAMINA POLICY TO MAXIMIZE PRODUCTION, TAKING FULL ADVANTAGE OF THE PRESENT SHORT SUPPLY SITUATION TO GENERATE FUNDS FOR ECONOMIC DEVELOPMENT. HIS COMMENTS ON PERTAMINA'S PROGRAMS INDICATE THAT A CONCERTED PROGRAM IS UNDERWAY TO IMPROVE MANAGEMENT AND REDUCE COSTS. HIS OFT REPEATED EMPHASIS ON TRAINING REFLECTS NOT ONLY HIS POLICY BUT WHAT HE BELIEVES SHOULD BE POLICY OF OIL COMPANIES AND OTHERS OPERATING IN INDONESIA TO MAXIMIZE TRAINING OF INDONESIANS.
GALBRAITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 20 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART12466
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731019/aaaaaoap.tel
Line Count: 128
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: JAKARTA A-121 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 26 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Nov-2001 by cunninfx>; APPROVED <04-Feb-2002 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM: INDONESIA'S PETROLEUM POLICY
TAGS: ENRG, ID, AMA, AMERICAN MENS ASSOCIATION, (IBNU SUTOWO)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005